

**This document has been withdrawn as it is out of date.**

Early Years National Funding Formula: Technical note

November 2017

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# Introduction

1. This technical note decribes the methodology for the Early Years National Funding Formula (EYNFF) that has been used to generate the local authority hourly funding rates for financial year 2018 to 2019.
2. Specifically, it covers the hourly rates for the free early education entitlements for three and four year olds (the universal 15 hours entitlement and the additional 15 hours entitlement for eligible working parents).
3. This document also sets out how local authorities’ initial allocations for the early years block of the dedicated schools grant (DSG) for 2018 to 2019 will be calculated. This includes:
   * funding for the universal 15 hours entitlement for three and four year olds
   * funding for the additional 15 hours entitlement for three and four year old children of eligible working parents
   * funding for the 15 hours entitlement for disadvantaged two year olds
   * funding for the Early Years Pupil Premium (EYPP)
   * funding for the Disability Access Fund (DAF)
   * supplementary funding for Maintained Nursery Schools (MNS)
4. The 2018 to 2019 initial allocations for the early years block will be announced in the DSG allocations table in December 2017.
5. This document accompanies a spreadsheet which includes:
   * a table showing the [2018 to 2019 EYNFF hourly rates for three and four year olds](https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance) for each local authority
   * a step-by-step table that shows how each local authority’s 2018 to 2019 rate has been derived
6. The Isles of Scilly and City of London have been excluded from this table, as these local authorities receive a central grant from the government which will include funding for early years.

# Hourly funding rates for three and four year olds

1. This section explains how the 2018 to 2019 EYNFF rates for the free early education entitlements for three and four year olds are calculated.
2. In December 2016, we published the [2017 to 2018 EYNFF hourly rates and allocations](https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance), with and without Year 1 transitional protections and capping, together with a [step-by-step guide](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574004/EYNFF_step-by-step_guide_for_LAs_on_the_calculation_for_the_allocations.xlsx) on how they were derived.
3. To calculate a local authority’s 2018 to 2019 hourly rate, we consider their transition from the 2017 to 2018 rate with the Year 1 transitional protection, to the Year 1 EYNFF rate without transitional protections, and apply the transitional protection for Year 2. The unrounded 2017 to 2018 rates are used as the starting point to which we apply the Year 2 transitional protection.
4. The Year 2 transitional protection is a 5% annual loss cap; that is, no local authority will see a decrease of more than 5% from their 2017 to 2018 hourly rate. To ensure that the total allocations meet the available budget, this requires an annual gains cap of 14.5%; that is, no local authority will see an increase of more than 14.5% from their 2017 to 2018 hourly rate.
5. The gains cap is set so that the total funding gain for the local authorities seeing an increase balances the total funding decrease for the local authorities facing a reduction. This approach, which is the same as in Year 1, ensures that the total allocations meet the available budget.
6. The Year 2 transitional protection, and corresponding gains cap, are the only reason for any differences between local authorities’ funding rates in 2017 to 2018 and 2018 to 2019.
7. For further detail on derivation of the 2018 to 2019 rates please refer to the [EYNFF step-by-step table.](https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance)

# Funding for the early years block in 2018 to 2019

1. Initial allocations for the early years block of the DSG, together with a detailed technical note, will be published in December as usual. This section explains the basis on which these initial allocations will be produced, taking each of the following funding streams in turn:
   1. the universal 15 hours entitlement for three and four year olds
   2. the additional 15 hours entitlement for three and four year old children of eligible working parents
   3. the 15 hours entitlement for disadvantaged two year olds
   4. the Early Years Pupil Premium (EYPP)
   5. the Disability Access Fund (DAF)
   6. the supplementary funding for Maintained Nursery Schools (MNS)

## The universal 15 hours entitlement for three and four year olds

1. The [2018 to 2019 EYNFF hourly funding rates](https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance) for the universal 15 hours entitlement are as announced in the accompanying table.
2. Allocations for the universal 15 hours entitlement will be calculated using the local authority’s 2018 to 2019 rate rounded to the nearest penny.
3. The EYNFF allocation for the universal 15 hours entitlement will be calculated using part-time equivalent (PTE) child numbers. 1 PTE is defined as a child taking up 15 hours per week over 38 weeks.
4. PTE child counts from the January 2017 Schools, Early Years and Alternative Provision censuses will be used to calculate the initial funding allocation.
5. The initial allocation for each local authority will be calculated as follows:
   * the January 2017 census data gives the number of PTEs taking up the universal 15 hours entitlement
   * this is multiplied by 15 hours x 38 weeks x the local authority’s 2018 to 2019 EYNFF hourly rate
   * this gives the initial allocation for the universal 15 hours entitlement in 2018 to 2019

## The additional 15 hours entitlement for three and four year old children of eligible working parents

1. The EYNFF hourly funding rates for the additional 15 hours entitlement are the same as the rates for the universal 15 hours entitlement.
2. Allocations for the additional 15 hours entitlement will be calculated using the local authority’s 2018 to 2019 rate rounded to the nearest penny.
3. Data on how many three and four year old children are taking up their additional hours entitlement is not yet available from the schools, early years, and alternative provision censuses, as January 2018 will be the first time census data will be collected for children taking up the additional 15 hours for working parents.
4. Therefore, and as for 2017 to 2018, we estimate, for each local authority, the number of eligible children who are likely to take up the entitlement (and the hours they will take up).
5. In 2017 to 2018, we assumed that 80% of eligible children will take up some additional hours provision, and that those children will, on average, take up 12 hours of the available 15 additional hours. For 2018 to 2019, the takeup assumption will increase from 80% to 83% to reflect the policy becoming more embedded in Year 2.
6. The initial allocation for each local authority for the additional 15 hours entitlement will be calculated as follows
   * DfE’s estimate of the number of PTEs who will take up the additional 15 hours entitlement
   * this is multiplied by 15 hours x 38 weeks x the local authority’s 2018 to 2019 EYNFF hourly rate
   * this gives the initial allocation for the additional 15 hours entitlement for 2018 to 2019

## The 15 hours entitlement for disadvantaged two year olds

1. The hourly rates for disadvantaged two year olds were announced on [1 December 2016](https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance).
2. PTE child counts from the January 2017 schools, early years and alternative provision censuses will be used to calculate the initial funding allocation.
3. The initial allocation for each local authority will be calculated as follows:
   * the January 2017 census data gives the number of PTEs taking up the two year old entitlement
   * this is multiplied by 15 hours x 38 weeks x the local authority’s two year old hourly rate
   * this gives the initial allocation for the two year old entitlement in 2018 to 2019

## Early Years Pupil Premium (EYPP)

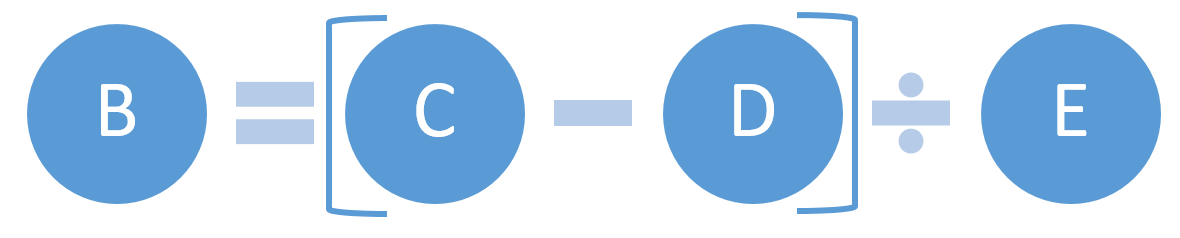
1. The national rate for EYPP is 53p per hour per eligible child, up to a maximum 570 hours per year.
2. PTE child counts from the January 2017 schools, early years and alternative provision censuses will be used to calculate the initial funding allocation.
3. The initial allocation for each local authority will be calculated as follows:
   * the January 2017 census data gives the number of PTEs taking up the EYPP
   * this is multiplied by 15 hours x 38 weeks x £0.53
   * this gives the initial allocation for EYPP in 2018 to 2019

## Disability Access Fund (DAF)

1. The national rate for DAF is £615 per eligible child per year.
2. The funding allocation for 2018 to 2019 will be an illustrative allocation based on an estimate of the number of three and four year olds who are not in Reception that are claiming the Disability Living Allowance (DLA).
3. For each local authority, their total February 2017 DLA claimant count of three and four year old children, using data from the Department for Work and Pensions (DWP), will be adjusted to remove an estimated number of children in reception. This will give an estimate of the number of three and four year olds eligible to take up DAF in the local authority.
4. The illustrative funding allocation for each local authority will be calculated as follows:
   * the DfE’s estimate number of children eligible to take up DAF
   * this is multiplied by £615 per child
   * this gives the illustrative DAF funding allocation for 2018 to 2019

## Supplementary funding for Maintained Nursery Schools (MNS)

1. Supplementary funding for MNS will be allocated to local authorities to protect their 2016 to 2017 MNS funding rates, until at least 2019 to 2020.
2. The funding paid by local authorities to MNS in 2016 to 2017 was confirmed by local authorities during the data assurance exercise undertaken by the Education and Skills Funding Agency (ESFA) in Spring 2017.
3. The MNS supplementary funding allocation enables local authorities to protect their 2016 to 2017 MNS funding rate for the universal 15 hours by considering the difference between the 2016 to 2017 MNS funding rate and the EYNFF 2018 to 2019 ‘provider equivalent’ hourly rate, which we refer to as the ‘funding rate differential’.
4. The MNS supplementary funding allocation for 2018 to 2019 will be calculated as follows:
   * taking the local authority’s MNS hourly funding rate in 2016 to 2017 (derived from the information provided by local authorities in the 2017 data assurance exercise); this is referred to as ‘A’ below
   * calculating the ‘provider equivalent’ hourly rate for 2018 to 2019; this is referred to as ‘B’ below
     + the ‘provider equivalent’ hourly rate determines how much of the EYNFF allocation is available to fund all providers (after deducting an amount for central and contingency funding). This is calculated as:



where:

B = the local authority’s ‘provider equivalent’ hourly rate for 2018 to 2019

C = the local authority’s total initial EYNFF allocation for universal and additional 15 hours entitlements for three and four year olds in 2018 to 2019 (to be published in December 2017)

D = the amount deducted for the local authority’s estimated central and contingency spend in 2018 to 2019 (calculated by adding the local authority’s % central spend in 2017 to 2018 (capped at 5%) to the local authority’s % contingency spend from 2017 to 2018[[1]](#footnote-2), and applying them to the 2018 to 2019 EYNFF allocation (C)

E = the local authority’s total number of funded hours for universal and additional 15 hours entitlements. This is calculated by adding together the PTE numbers for the universal 15 hours entitlement from the January 2017 census and the DfE estimated PTE number for the additional 15 hours entitlement, multiplied by 15 hours x 38 weeks

* + comparing the MNS hourly funding rate in 2016 to 2017 (‘A’) with the 2018 to 2019 ‘provider equivalent’ hourly rate (‘B’)
    - this is to determine if the ‘provider equivalent’ hourly rate for 2018 to 2019 is sufficient to maintain the 2016 to 2017 funding rate for MNS
    - the funding rate differential is determined as follows:



where:

F = the local authority’s funding rate differential; that is, the difference in funding rates which the MNS supplementary funding is intended to meet

A = the local authority’s MNS hourly funding rate in 2016 to 2017 (derived from the information provided by local authorities in the 2017 data assurance exercise)

B = the local authority’s ‘provider equivalent’ hourly rate for 2018 to 2019

* + - if the funding rate differentital (‘F’) is:
      * positive, this means that the local authority’s 2016 to 2017 MNS hourly funding rate is higher than their EYNFF 2018 to 2019 ‘provider equivalent’ hourly rate, and therefore the local authority is in line to receive supplementary funding
      * negative or equal to zero, this means that the local authority will not receive any supplementary funding, as there is no funding differential to protect
  + calculating the MNS supplementary funding allocation for 2018 to 2019
    - the initial MNS supplementary funding allocation for 2018 to 2019 will be calculated as follows:



where:

H = the initial MNS supplementary funding allocation for 2018 to 2019

F = the local authority’s MNS funding rate differential

G = the local authority’s PTE count from the January 2017 census for children taking up the universal 15 hours entitlement in MNS settings



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1. Data on central and contingency spend comes from the 2017 to 2018 Section 251 early years proforma budget, as reported by LAs. [↑](#footnote-ref-2)